

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 IO-10 ISO-00 ERDA-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FEAE-00 FPC-01

H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00

FRB-03 PA-01 PRS-01 AGR-05 OPIC-03 /123 W

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R 171103Z JUN 75

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 627

INFO USMISSION USUN NEW YORK

AMEMBASSY PARIS

C O N F I D E N T I A S Z ISLAMABAD 5502

E.O. 11652: GDS

TAGS: ENRG, EFIN, PK

SUBJ: PRODUCER/CONSUMER DIALOGUE AND UNGA 7SS

REF: A) STATE 13881; B) STATE 124719; C) STATE 126216; D) ISLA-  
MABAD 4961; AND E) ISLAMABAD 5162

SUMMARY: GOP IS DEVELOPING A WRITTEN RESPONSE TO OUR  
DEMARCHES ON PRODUCER/CONSUMER DIALOGUE AND OTHER LDC/DC  
ISSUES. DISCUSSION WITH MFA ACTING DIRECTOR GENERAL (UN) INDI-  
CATES THAT PAKISTAN IS ENTHUSIASTIC ABOUT AGRICULTURAL DEVELOP-  
MENT FUND AND IMF TRUST FUND AND AMBIVALENT ABOUT US PROPOSALS  
ON COMMODITIES. SSL DETECT A GROWING INTEREST IN SCHEMES  
WHEREBY LDC CONSUMERS WOULD RECEIVE COMPENSATION FOR  
RISES IN ENERGY AND OTHER RAW MATERIAL PRICES. END SUMMARY.

1. EMBASSY OFFICER CALLED ON MFA ACTING DIRECTOR GENERAL  
(UN) MUNIR AKRAM JUNE 17 TO PROVIDE CLARIFICATION GIVEN  
IN REFTEL A, AND TOOK THE OCCASION TO REVIEW GOP  
REACTION TO EARLIER DEMARCHES ON LDC-DC ISSUES AND UN  
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SEVENTH SPECIAL SESSION. AKRAM SAID THAT THE SECRETARY'S

PROPOSALS (REFTELS B AND C) WERE BEING GIVEN CAREFUL STUDY IN THE PAKISTAN GOVERNMENT, AND THAT A WRITTEN RESPONSE WAS BEING PREPARED WHICH HE EXPECTED WOULD INCLUDE SPECIFIC COMMENTS ON THE CONCRETE PROPOSALS IN THE SECRETARY'S SPEECHES.

2. HIS INITIAL READING, HE SAID, WAS THAT US SUPPORT FOR THE AGRICULTURAL DEVELOPMENT FUND WAS PROBABLY THE MOST POPULAR OF THE PROPOSALS IN THE GOP. THE PROPOSAL FOR AN IMF TRUST FUND, HE SAID, WAS ALSO WARMLY RECEIVED, AND THE GOP FAVORED THE PROPOS K FOR SOME OF THE FINANCING COMING FROM GOLD HOLDINGS OF THE IMF.

3. HIS DESCRIPTION OF THE EMERGING GOP POSITION ON COMMODITIES WAS SOMEWHAT PUZZLING. THE POSITION WAS STILL BEING DEVELOPED, HE SAID. THE GOP SAW THE OBVIOUS PRACTICAL ADVANTAGES OF NEGOTIATING AGREEMENTS ON CERTAIN COMMODITIES ONE AT A TIME. ON THE OTHER HAND, THE ONLY PROBLEM COMMODITY WHICH PAKISTAN EXPORTED IN SIGNIFICANT QUANTITY, COTTON, MIGHT BE DIFFICULT TO DEAL WITH ON THAT BASIS, SINCE THE PROBLEM WAS LESS ONE OF PRICE THAN OF COMPETITION FROM NEW PRODUCTS. THE GOP SEEMED TO BE TOYING WITH THE IDEA THAT AN "INTEGRATED APPROACH" TO THE COMMODITY PROBLEM MIGHT BE ABLE TO PRODUCE SOME SORT OF MARKET STABILIZATION FOR COTTON (NOT FURTHER SPECIFIED), WHILE LIMITING THE DAMAGE TO PAKISTAN FROM OTHER COMMODITY PRICE INCREASES BY INCLUDING SOME FORM OF COMPENSATION FOR LDC CONSUMERS.

4. ON THE PRODUCER/CONSUMER COMMISSIONS, AKRAM PROMISED TO PASS ON THE CLARIFICATION IN REFTELAR, BUT WAS NOT ABLE TO PROVIDE FURTHER INSIGHT INTO THE GOP POSITION BEYOND THE GENERAL CONCERN ALREADY CONVEYED.

5. AKRAM SEEMED MILDLY ENCOURAGED BY THE REACTIONS IN OTHER LDCS TO THE SECRETARY'S PROPOSALS. HE SAID THAT HIS INFORMATION FROM THE PAKISTAN UN MISSION WAS THAT OTHER MEMBERS OF THE "GROUP OF 27" WERE SHOWING AN INCLINATION TO BE PRAGMATIC AND HAD RECOGNIZED THE SAME SPIRIT BEHIND THE US PROPOSALS. HE ALSO MENTIONED THAT THE FRENCH HAD BEEN DISCUSSING THE US PROPOSALS WITH THE GOP. THEIR  
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POSITION, HE SAID, HAD BEEN GENERALLY FAVORABLE, ALTHOUGH THEY HAD GIVEN FEKSPECIFICS. THE FRENCH SEEMED TO BE PUSHING AScheme FOR SOMEWHAT CLOSER LINKAGE OF THE WORK OF THE VARIOUS PRODUCER/CONSUMER COMMISSIONS.

6. COMMENT. BESIDES THE USUAL STATEMENT OF PAKISTAN'S DESIRE TO EXERCISE A MODERATING INFLUENCE WHEN IT CAN DO SO INCONSPICUOUSLY BEHIND THE SCENES, TWO PAKISTANI

THEMES SEEM TO BE EMERGING IN THIS DIALOGUE. THE FIRST IS THE GOP'S EAGERNESS THAT THE US PROPOSALS BE MADE IN CONCRETE FORM, WITH AS MUCH DETAIL AS POSSIBLE FOR THEM TO RESPOND TO.

7. THE SECOND THEME, WHICH IS MORE DISQUIETING, IS COMPENSATION. THE GOP IS AWARE THAT ITS INTERESTS IN THE OIL PRICE ISSUE AND IN OTHER RAW MATERIALS PRICE ISSUES LIE PRIMARILY WITH THE CONSUMERS. WHEN ASKED HOW PAKISTAN WOULD REACT IF OPEC DECIDED ON A SUBSTANTIAL PRICE HIKE, HE RESPONDED THAT THE GOP WOULD PROBABLY ACCEPT THE INCREASE AND TRY TO WORK OUT A FORMULA WHEREBY LDC CONSUMERS COULD BE COMPENSATED. THE SOURCE OF THE PROPOSED COMPENSATION WAS NOT CLEAR, BUT OUR IMPRESSION WAS THAT THE DEVELOPED COUNTRIES WOULD BE EXPECTED TO PICK UP A GOOD PART OF THE BILL. THE DISCUSSION ON OTHER COMMODITY PRICES WAS LESS PRECISE, BUT HIS REMARKS WERE IN THE SAME DIRECTION.  
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